

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

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FM AMEMBASSY ANKARA

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TARS: ELTN, EINV, TU, IR

SUBJECT: TURKEY-IRAN \$1.2 BILLION FRAME AGREEMENT AND TIR TRANSIT

REF: ANKARA 8154

1. SUMMARY. EMBOFF CALLED ON SEFIK ONAT, DEPDIR BILATERAL ECONOMIC AFFAIRS, MFA, ON FORTHCOMING IRAN-TURKEY NEGOTIATIONS OVER FRAME AGREEMENT AND TIR TRANSIT. ONAT, WHO IS MFA EXPERT ON GOT-GOI AFFAIRS AND WILL ACCOMPANY DELEGATION, SAID DATE OF TRIP HAS BEEN MOVED UP. DELEGATION COMPOSED OF MINISTER OF TRANSPORTATION MENTESE AND MINISTER OF FINANCE ERGENEKON WILL GO TO TEHRAN OCTOBER 28, INSTEAD OF EARLY NOVEMBER. THERE HAS BEEN SOME PROGRESS ON NARROWING IRANIAN-TURKISH POINTS OF DIFFERENCE SINCE TASLIMI VISIT (GOI MINISTER OF COMMERCE) IN OCTOBER AND ONAT IS MILDLY OPTIMISTIC THAT FRAME AGREEMENT CAN BE PUT BACK ON TRACK. END SUMMARY.

2. ONAT SAID MAJOR POINT OF DIFFERENCE BETWEEN TWO SIDES IS STILL INTERPRETATION OF INTER-RELATIONSHIP BETWEEN THE \$1.2 BILLION FRAME AGREEMENT AND GOT INCREASE IN TIR TARIFFS. GOT INSISTS THESE ARE TWO COMPLETELY SEPARATE

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SITUATIONS. THE FRAME AGREEMENT WAS SIGNED BY THE TWO

PARTIES IN ORDER TO IMPROVE TURKISH PORT, ROAD AND RAIL INFRASTRUCTURE TO POINT WHERE IT COULD HANDLE INCREASE IN IRANIAN CARGO PROJECTED TO 1981. IN ADDITION, PARTS OF FRAME AGREEMENT DEALING WITH ESTABLISHMENT OF PAPER MILL AND MEAT COMPLEX IN EASTERN TURKEY AS WELL AS EXPANSION OF TRADE BETWEEN THE TWO COUNTRIES WERE, AND REMAMK, OF MUTUAL ADVANTAGE TO BOTH SIDES. GOT INCREASE IN TIR TARIFFS, ON OTHER HAND, WAS NECESSARY TO OBTAIN REVENUE NEEDED TO MAINTAIN TURKISH ROADS IN THEIR PRESENT STATE IN FACE OF THE EXPLOSION IN TIR TRAFFIC OVER PAST FEW YEARS. FIXED DEPRECIATION OF TURKISH ROADS CHARGEABLE TO TIR TRAFFIC HAS BEEN SET IN TURKISH BUDGET AT \$120 MILLION PER YEAR. GOT RIGHTLY INSISTS, JAID ONAT, THAT TIR USERS AQT TIR BENEFICIARIES MUST PAY THIS SUM, IF NOT THRU DIRECT TIR TARIFFS THEN THRU SOME OTHER MEANS.

3. ONAT SAID THAT WHILE IRAN HAS INSISTED THAT FRAME AGREEMENT CANNOT BE IMPLEMENTED IN FACE OF UNILATERAL GOT DECISION TO RAISE TIR FEES, IRANIANS LATELY SEEM TO BE SOFTENING ON THIS ISSUE. TASLIMI REVIVED A PREVIOUS IRANIAN OFFER TO ESTABLISH A JOINT TURKO-IRANIAN TRUCKING COMPANY IN ORDER TO GET AROUND THE TIR TARIFF INCREASE. ONAT SAID THAT THE GOT SEES THIS AS A MUTUALLY AGREEABLE WAY OF SEPARATING IMPLEMENTATION OF FRAME AGREEMENT FROM TIR TARIFF INCREASE. HE SAID THAT TURKS SEE JOINT TRUCKING COMPANY AS AN IRANIAN PROJECT, BUT ARE WILLING TO GO ALONG IF VENTURE APPEARS PROFITABLE TO TURKEY. GOT'S MINIMUM NEGOTIATING POSITION THEN SEEMS TO BE INSISTENCE THAT (1) TURKEY OBTAIN \$120 MILLION PER YEAR FOR ROAD MAINTENANCE WHETHER FROM TIR TRANSIT FEES OR A JOINT TRUCKING COMPANY AND (2) IMPLEMENTATION OF PORT, RAIL AND ROAD IMPROVEMENT PARTS OF THE FRAME AGREEMENT MUST BE RELATIVELY RAPID. (ONAT SAID TURKEY HAS ALREADY PROVIDED DETAILED FEASIBILITY STUDIES FOR THESE PROJECTS, BUT GOI HAS NOT REPLIED TO THEM).

4. IN RESPONSE TO EMBOFF'S QUESTION WHETHER SUCCESSFUL CONCLUSION OF NEGOTIATIONS COULD LEAD TO PRE-PAYMENT OF PORTION OF \$1.2 BILLION LOAN, ONAT SAID HE DID NOT KNOW. LIMITED OFFICIAL USE

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HE MENTIONED GOT CENTRAL BANK RELIEF LAST YEAR WHEN TIR CONTROVERSY PROVIDED EXCUSE NOT TO PRE-PAY \$600 MILLION OF LOAN (75 TEHRAN 11097). HE ALSO SAID THAT GOT IS AWARE OF MAJOR GOI EURO-DOLLAR BORROWINGS, (ONAT SAID \$2 BILLION THIS YEAR) BUT ALSO ANTICIPATES THAT 10-15 PERCENT OPEC PRICE INCREASE WILL PROVIDE GOT WITH \$3-4 BILLION ADDITIONAL REVENUE NEXT YEAR.

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